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इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।
Separate paging is given to this Part in order that it may be filed as a separate compilation

## MINISTRY OF LAW, JUSTICE AND COMPANY AFFAIRS
### (Legislative Department)

*New Delhi, the 12th May, 1978/Vaisakha 22, 1900 (Saka)*

The following Act of Parliament received the assent of the President on the 12th May, 1978 and is hereby published for general information:—

# THE FINANCE ACT, 1978

No. 19 OF 1978

[*12th May 1978*]

An Act to give effect to the financial proposals of the Central Government for the financial year 1978-1979

BE it enacted by Parliament in the Twenty-ninth Year of the Republic of India as follows:—

## CHAPTER I
### PRELIMINARY

Short title and commencement.

1. (*1*) This Act may be called the Finance Act, 1978.

(*2*) Save as otherwise provided in this Act, sections 2 to 33 and section 40 shall be deemed to have come into force on the 1st day of April 1978.

## CHAPTER II
### RATES OF INCOME-TAX

Income-tax.

2. (*1*) Subject to the provisions of sub-sections (*2*) and (*3*), for the assessment year commencing on the 1st day of April, 1978, income-tax shall be charged at the rates specified in Part I of the Schedule and shall be increased,—

(*a*) in the cases to which Paragraphs A, B, C and D of that Part apply, by a surcharge for purposes of the Union; and

(b) in the cases to which Paragraph E of that Part applies, by a surcharge,

calculated in each case in the manner provided therein.

(2) In the cases to which Sub-Paragraph I or Sub-Paragraph II of Paragraph A of Part I of the Schedule applies, where the assessee has, in the previous year, any net agricultural income, in addition to total income, and the total income exceeds ten thousand rupees, then,—

(a) the net agricultural income shall be taken into account, in the manner provided in clause (b) (that is to say, as if the net agricultural income were comprised in the total income after the first eight thousand rupees of the total income but without being liable to tax), only for the purpose of charging income-tax in respect of the total income; and

(b) the income-tax chargeable shall be calculated as follows:—

(*i*) the total income and the net agricultural income shall be aggregated and the amount of income-tax shall be determined in respect of the aggregate income at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if such aggregate income were the total income:

Provided that for the purposes of determining the amount of income-tax in accordance with this sub-clause, the provisions of clause (*ii*) of the proviso below Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A and the provisions relating to surcharge on income-tax in the said Sub-Paragraphs shall not apply;

(*ii*) the net agricultural income shall be increased by a sum of eight thousand rupees and the amount of income-tax shall be determined in respect of the net agricultural income as so increased at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if the net agricultural income as so increased were the total income:

Provided that for the purposes of determining the amount of income-tax in accordance with this sub-clause, the provisions of clause (*i*) and clause (*ii*) of the proviso below Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A and the provisions relating to surcharge on income-tax in the said Sub-Paragraphs shall not apply;

(*iii*) the amount of income-tax determined in accordance with sub-clause (i) shall be reduced by the amount of income-tax determined in accordance with sub-clause (*ii*):

Provided that where the sum so arrived at exceeds seventy per cent. of the amount by which the total income exceeds ten thousand rupees, the excess shall be disregarded;

(*iv*) the amount of income-tax determined in accordance with sub-clause (*iii*) shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax and the sum so arrived at shall be the income-tax in respect of the total income.

(*3*) In cases to which the provisions of Chapter XII or section 164 of the Income-tax Act, 1961 (hereinafter referred to as the Income-tax Act) apply, the tax chargeable shall be determined as provided in that Chapter or that section, and with reference to the rates imposed by sub-section (*1*) or the rates as specified in that Chapter or section, as the case may be.

43 of 1961.

(*4*) In cases in which tax has to be deducted under sections 193, 194, 194A, 194B, 194BB, 194D and 195 of the Income-tax Act at the rates in force, the deduction shall be made at the rates specified in Part II of the Schedule.

(*5*) Subject to the provisions of sub-section (*6*), in cases in which income-tax has to be calculated under the first proviso to sub-section (*5*) of section 132 of the Income-tax Act or charged under sub-section (*4*) of section 172 or sub-section (*2*) of section 174 or section 175 or sub-section (*2*) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or deducted under sub-section (*9*) of section 80E of the said Act from any payment referred to in the said sub-section (*9*) or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be, "advance tax" shall be so calculated, charged, deducted or computed at the rate or rates specified in Part III of the Schedule:

Provided that in cases to which the provisions of Chapter XII or section 164 of the Income-tax Act apply, "advance tax" shall be computed with reference to the rates imposed by this sub-section or the rates as specified in that Chapter or section, as the case may be.

(*6*) In the cases to which Sub-Paragraph I or Sub-Paragraph II of Paragraph A of Part III of the Schedule applies, where the assessee has, in the previous year or, if by virtue of any provision of the Income-tax Act, income-tax is to be charged in respect of the income of a period other than the previous year, in such other period, any net agricultural income, in addition to total income, and the total income exceeds ten thousand rupees, then, in calculating income-tax under the first proviso to sub-section (*5*) of section 132 of the Income-tax Act or in charging income-tax under sub-section (*2*) of section 174 or section 175 or sub-section (*2*) of section 176 of the said Act or in computing the "advance tax" payable under Chapter XVII-C of the said Act, at the rate or rates in force,—

(*a*) the net agricultural income shall be taken into account, in the manner provided in clause (*b*) (that is to say, as if the net agricultural income were comprised in the total income after the first eight thousand rupees of the total income but without being liable to tax), only for the purpose of calculating charging or computing such income-tax or, as the case may be "advance tax" in respect of the total income; and

(*b*) such income-tax or, as the case may be, "advance tax" shall be so calculated, charged or computed as follows:—

(*i*) the total income and the net agricultural income shall be aggregated and the amount of income-tax or "advance tax" shall be determined in respect of the aggregate income at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if such aggregate income were the total income:

Provided that for the purposes of determining the amount of income-tax or "advance tax" in accordance with this sub-clause, the provisions of clause (*ii*) of the proviso below Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A and the provisions relating to surcharge on income-tax in the said Sub-Paragraphs shall not apply;

(*ii*) the net agricultural income shall be increased by a sum of eight thousand rupees and the amount of income-tax or "advance tax" shall be determined in respect of the net agricultural income as so increased at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if the net agricultural income as so increased were the total income:

Provided that for the purposes of determining the amount of income-tax or "advance tax" in accordance with this sub-clause, the provisions of clause (*i*) and clause (*ii*) of the proviso below Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A and the provisions relating to surcharge on income-tax in the said Sub-Paragraphs shall not apply;

(*iii*) the amount of income-tax or "advance tax" determined in accordance with sub-clause (*i*) shall be reduced by the amount of income-tax or, as the case may be, "advance tax" determined in accordance with sub-clause (*ii*):

Provided that where the sum so arrived at exceeds seventy per cent. of the amount by which the total income exceeds ten thousand rupees, the excess shall be disregarded;

(*iv*) the amount of income-tax or "advance tax" determined in accordance with sub-clause (*iii*) shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax or, as the case may be, "advance tax" and the sum so arrived at shall be the income-tax or, as the case may be, "advance tax" in respect of the total income.

(7) For the purposes of this section and the Schedule,—

(*a*) "company in which the public are substantially interested" means a company which is such a company as is referred to in section 108 of the Income-tax Act;

(*b*) "domestic company" means an Indian company, or any other company which, in respect of its income liable to income-tax under the Income-tax Act for the assessment year commencing on the 1st day of April, 1978, has made the prescribed arrangements for

the declaration and payment within India of the dividends (including dividends on preference shares) payable out of such income in accordance with the provisions of section 194 of that Act;

(*c*) "industrial company" means a company which is mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining.

*Explanation.*—For the purposes of this clause, a company shall be deemed to be mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining, if the income attributable to any one or more of the aforesaid activities included in its total income of the previous year (as computed before making any deduction under Chapter VIA of the Income-tax Act) is not less than fifty-one per cent. of such total income;

(*d*) "insurance commission" means any remuneration or reward, whether by way of commission or otherwise, for soliciting or procuring insurance business (including business relating to the continuance, renewal or revival of policies of insurance);

(*e*) "net agricultural income", in relation to a person, means the total amount of agricultural income, from whatever source derived, of that person computed in accordance with the rules contained in Part IV of the Schedule;

(*f*) "tax-free security" means any security of the Central Government issued or declared to be income-tax free, or any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government;

(*g*) all other words and expressions used in this section or in the Schedule but not defined in this sub-section and defined in the Income-tax Act shall have the meanings, respectively, assigned to them in that Act.

## CHAPTER III

### DIRECT TAXES

### *Income-tax*

Amendment of section 6.

3. In section 6 of the Income-tax Act, in clause (*1*), the following *Explanation* shall be inserted at the end with effect from the 1st day of April, 1979, namely:—

'*Explanation.*—*In* the case of an individual, being a citizen of India, who is rendering service outside India and who is or has been in India on leave or vacation in the previous year, the provisions of sub-clauses (*b*) and (*c*) shall apply in relation to that year as if for the words "thirty days" and "sixty days", respectively occurring in the said sub-clauses, the words "ninety days" had been substituted.'.

Amendment of section 23.

4. In section 23 of the Income-tax Act, in the second proviso to sub-section (*1*), with effect from the 1st day of April, 1979,—

(*a*) in clause (*b*), for the words, figures and letters "completed after the 31st day of March, 1970", the words, figures and letters "completed after the 31st day of March, 1970 but before the 1st day of April, 1978" shall be substituted;

(*b*) for the words, brackets and letters "so, however, that the income in respect of any residential unit referred to in clause (*a*) or clause (*b*) is in no case a loss", the following shall be substituted, namely:—

"(*c*) in the case of a building comprising one or more residential units, the erection of which is completed after the 31st day of March, 1978, for a period of five years from the date of completion of the building, be reduced by a sum equal to the aggregate of—

(*i*) in respect of any residential unit whose annual value as so determined does not exceed two thousand four hundred rupees, the amount of such annual value;

(*ii*) in respect of any residential unit whose annual value as so determined exceeds two thousand four hundred rupees, an amount of two thousand four hundred rupees,

so, however, that the income in respect of any residential unit referred to in clause (*a*) or clause (*b*) or clause (c) is in no case a loss.".

Amendment of section 32.

5. In section 32 of the Income-tax Act, in sub-section (*1*), in clause (*iv*), for the words "twenty per cent", the words "forty per cent." shall be substituted with effect from the 1st day of April, 1979.

Amendment of section 35B.

6. In section 35B of the Income-tax Act,—

(*a*) in sub-section (*1*),—

(*i*) in the proviso to clause (*a*), after the words, figures and letters "after the 28th day of February, 1973", the words, figures and letters "but before the 1st day of April, 1978" shall be inserted;

(*ii*) in clause (*b*),—

(*1*) in sub-clause (*i*), the words, figures and letters ", where such expenditure is incurred before the 1st day of April, 1978" shall be inserted at the end;

(*2*) in sub-clause (*iii*), the words, figures and letters ", where such expenditure is incurred before the 1st day of April, 1978" shall be inserted at the end;

(*b*) after sub-section (*1*), the following sub-section shall be inserted, namely:—

'(*1A*) Notwithstanding anything contained in sub-section (*1*), no deduction under this section shall be allowed in relation to any expenditure incurred after the 31st day of March, 1978 unless the following conditions are fulfilled, namely:—

(*a*) the assessee referred to in that sub-section is engaged in—

(*i*) the business of export of goods and is either a small-scale exporter or a holder of an Export House Certificate; or

(*ii*) the business of provision of technical know-how, or the rendering of services in connection with the provision of technical know-how, to persons outside India; and

(*b*) the expenditure referred to in that sub-section is incurred by the assessee wholly and exclusively for the purposes of the business referred to in sub-clause (*i*) or, as the case may be, sub-clause (*ii*) of clause (*a*).

*Explanation.*—For the purposes of this sub-section,—

(*a*) "small-scale exporter" means a person who exports goods manufactured or produced in any small-scale industrial undertaking or undertakings owned by him:

Provided that such person does not own any industrial undertaking which is not a small-scale industrial undertaking;

(*b*) "Export House Certificate" means a valid Export House Certificate issued by the Chief Controller of Imports and Exports, Government of India;

(*c*) "provision of technical know-how" has the meaning assigned to it in sub-section (*2*) of section 80MM;

(*d*) "small-scale industrial undertaking" has the meaning assigned to it in clause (*2*) of the *Explanation* below sub-section (*2*) of section 32A.'.

Insertion of new section 35CCA.

7. In the Income-tax Act, after section 35CC, the following section shall be inserted with effect from the 1st day of June, 1978, namely:—

Expenditure by way of payment to associations and institutions for carrying out rural development programmes.

'35CCA. (*1*) Where an assessee incurs any expenditure by way of payment of any sum, to an association or institution to which this section applies, to be used for carrying out any programme of rural development approved by the prescribed authority, the assessee shall be allowed a deduction of the amount of such expenditure incurred during the previous year.

(*2*) This section applies to any association or institution—

(*a*) which has as its object the undertaking of any programme of rural development; and

(*b*) which is for the time being approved in this behalf by the prescribed authority:

Provided that the prescribed authority shall not grant such approval for more than three years at a time.

*Explanation.*—For the purposes of this section, "programme of rural development" shall have the meaning assigned to it in the *Explanation* to sub-section (*1*) of section 35CC.

(3) Where a deduction under this section is claimed and allowed for any assessment year in respect of any expenditure referred to in sub-section (1), deduction shall not be allowed in respect of such expenditure under section 35C or section 35CC or section 80G or any other provision of this Act for the same or any other assessment year.'.

Amendment of section 37.

8. In section 37 of the Income-tax Act, after sub-section (3), the following sub-sections shall be inserted with effect from the 1st day of April, 1979, namely:—

'(3A) Notwithstandng anything contained in sub-section (1) but without prejudice to the provisions of sub-section (3), where the aggregate expenditure incurred by an assessee on advertisement, publicity and sales promotion in India eceeds forty thousand rupees, so much of such aggregate expenditure as is equal to an amount calculated as provided hereunder shall not be allowed as a deduction, namely:—

| | |
|---|---|
| (i) where such aggregate expenditure does not exceed ¼ per cent. of the turnover or, as the case may be, gross receipts of the business or profession | 10 per cent. of the adjusted expenditure; |
| (ii) where such aggregate expenditure exceeds ¼ per cent. but does not exceed ½ per cent. of the turnover or, as the case may be, gross receipts of the business or profession | 12½ per cent. of the adjusted expenditure; |
| (iii) where such aggregate expenditure exceeds ½ per cent. of the turnover or, as the case may be, gross receipts of the business or profession | 15 per cent. of the adjusted expenditure. |

*Explanation.*—For the purposes of this sub-section,—

(a) "adjusted expenditure" means the aggregate expenditure incurred by the assessee on advertisement, publicity and sales promotion in India as reduced by so much of such expenditure as is not allowed under sub-section (1) and as further reduced by so much of such expenditure as is not allowed under sub-section (3).

(b) "turnover" and "gross receipts" mean turnover or gross receipts, as the case may be, as reduced by any discount or rebate allowed by the assessee.

(*3B*) Nothing contained in sub-section (*3A*) shall apply in relation to any expenditure incurred by an assessee on—

(*i*) advertisement in any small newspaper;

(*ii*) advertisement in any newspaper for recruitment of personnel;

(*iii*) the publication in any newspaper of any notice required to be published by or under any law;

(*iv*) the maintenance of any office for the purposes of advertisement, publicity or sales promotion;

(*v*) the payment of salary [as defined in clause (*1*) of section 17] to any employee engaged in advertisement, publicity or sales promotion;

(*vi*) the holding of, or the participation in, any press conference, sales conference, trade convention, trade fair or exhibition;

(*vii*) publication and distribution of journals, catalogues or price lists;

(*viii*) such other items as may be prescribed.

*Explanation 1.*—For the purposes of clause (*i*), an advertisement in a newspaper shall be deemed to be an advertisement in a small newspaper, if the average circulation of such newspaper in the year in which such advertisement has been published, is certified by the prescribed authority as not exceeding fifteen thousand copies.

*Explanation 2.*—"Average circulation", in relation to any newspaper, shall be taken to be the number arrived at by dividing the aggregate of the number of copies of such newspaper circulated during a year by the total number of days on which such newspaper was published in that year.

(*3C*) For the removal of doubts, it is hereby declared that nothing contained in sub-section (*3A*) shall apply in relation to expenditure in the nature of entertainment expenditure incurred by an assessee in connection with advertisement, publicity or sales promotion and such expenditure shall be governed by the provisions of sub-section (*2A*).

(*3D*) In a case where an assessee has set up an industrial undertaking for the manufacture or production of any articles, nothing in sub-section (*3A*) shall apply in respect of any expenditure on advertisement, publicity or sales promotion incurred by the assessee, for the purposes of the business of such undertaking, in the previous year in which such undertaking begins to manufacture or produce such articles and each of the two previous years immediately succeeding that previous year.'.

Amendment of section 54.

9. In section 52 of the Income-tax Act, in sub-section (2), in clause (b) of the proviso, the words "and the adequacy of the full value of the consideration so determined or approved is not questioned by the assessee" shall be omitted and shall be deemed always to have been omitted.

Amendment of section 54.

10. Section 54 of the Income-tax Act shall be renumbered and shall be deemed to have been renumbered with effect from the 1st day of April, 1974, as sub-section (1) thereof and,—

(a) in sub-section (1) as so renumbered,—

(i) after the words "for the purposes of his own or the parent's own residence", the brackets and words "(hereafter in this section referred to as the original asset)" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1974;

(ii) in clause (i), for the words "is greater than the cost of the new asset", the words and brackets "is greater than the cost of the house property so purchased or constructed (hereafter in this section referred to as the new asset)" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1974;

(b) after sub-section (1) as so renumbered, the following sub-section shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1974, namely:—

'(2) Where the transfer of the original asset is by way of compulsory acquisition under any law and the compensation awarded for such acquisition is enhanced by any court, tribunal or other authority, then,

(a) so much of the capital gains computed under section 48 by taking the compensation as so enhanced as the full value of the consideration received or accruing as a result of such transfer, as is not excluded under sub-section (1) from being charged to tax under section 45, or

(b) the capital gain attributable to the enhancement of the compensation,

whichever is less (that which is less being hereafter in this sub-section referred to as the unadjusted capital gain), shall, if the assessee has within a period of one year before or after the date of receipt of the additional compensation purchased, or has within

a period of two years after that date constructed, a house property for the purposes of his own residence (hereafter in this sub-section referred to as the relevant asset), be dealt with in the following manner, that is to say,—

(*i*) if the amount of the unadjusted capital gain is greater than the cost of the relevant asset, the difference between the amount of the unadjusted capital gain and the cost of the relevant asset shall be charged under section 45 as the income of the previous year in which the transfer took place; and for the purpose of computing in respect of the relevant asset any capital gain arising from its transfer within a period of three years of its purchase or construction, as the case may be, the cost shall be *nil*; or

(*ii*) if the amount of the unadjusted capital gain is equal to or less than the cost of the relevant asset, the unadjusted capital gain shall not be charged under section 45; and for the purpose of computing in respect of the relevant asset any capital gain arising from its transfer within a period of three years of its purchase or construction, as the case may be, the cost shall be reduced by the amount of the unadjusted capital gain.

*Explanation.*—For the purposes of this sub-section, sub-section (*2*) of section 54B and sub-section (*2*) of section 54D,—

(*1*) "additional compensation", in relation to the transfer of any capital asset by way of compulsory acquisition under any law, means the difference between the compensation for the acquisition of such asset as enhanced by any court, tribunal or other authority and the compensation which would have been payable if such enhancement had not been made;

(*2*) the capital gain attributable to the enhancement by any court, tribunal or other authority of the compensation for the compulsory acquisition of any capital asset shall be—

(*a*) where the computation of the capital gain under section 48 by taking the compensation which would have been payable if such enhancement had not been made as the full value of the consideration received or accruing as a result of the transfer results in a loss or does not result in any profits or gains chargeable to income-tax under the head "Capital gains", the capital gain computed under section 48 by taking the compensation as so enhanced as the full value of the consideration received or accruing as a result of the transfer; and

(*b*) in any other case, the difference between—

(*i*) the capital gain computed under section 48 by taking the compensation as so enhanced as the

full value of the consideration so received or accruing, and

(*ii*) the capital gain computed under section 48 by taking the compensation which would have been payable if such enhancement had not been made as the full value of the consideration so received or accruing.'.

Amendment of section 54B.

**11**. Section 54B of the Income-tax Act shall be renumbered and shall be deemed to have been renumbered with effect from the 1st day of April, 1974, as sub-section (*1*) thereof and,—

(*a*) in sub-section (*1*) as so renumbered, after the words "used by the assessee or a parent of his for agricultural purposes", the brackets and words "(hereinafter referred to as the original asset)" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1974;

(*b*) after sub-section (*1*) as so renumbered, the following sub-section shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1974, namely:—

"(*2*) Where the transfer of the original asset is by way of compulsory acquisition under any law and the compensation awarded for such acquisition is enhanced by any court, tribunal or other authority, then,

(*a*) so much of the capital gain, computed under section 48 by taking the compensation as so enhanced as the full value of the consideration received or accruing as a result of such transfer, as is not excluded under sub-section (*1*) from being charged to tax under section 45, or

(*b*) the capital gain attributable to the enhancement of the compensation,

whichever is less (that which is less being hereinafter referred to as the unadjusted capital gain), shall, if the assessee has within a period of two years after the date of receipt of the additional compensation purchased any land for being used for agricultural purposes (hereinafter referred to as the relevant asset), be dealt with in the following manner, that is to say,—

(*i*) if the amount of the unadjusted capital gain is greater than the cost of the relevant asset, the difference between the amount of the unadjusted capital gain and the cost of the relevant asset shall be charged under section 45 as the income of the previous year in which the transfer took place; and for the purpose of computing in respect of the relevant asset any capital gain arising from its transfer within a period of three years of its purchase, the cost shall be *nil;* or

(*ii*) if the amount of the unadjusted capital gain is equal to or less than the cost of the relevant asset, the unadjusted capital gain shall not be charged under section 45; and for the purpose of computing in respect of the relevant asset any capital gain arising from its transfer within a period of three years of its purchase, the cost shall be reduced by the amount of the unadjusted capital gain.".

Amendment of section 54D.

**12.** Section 54D of the Income-tax Act shall be renumbered and shall be deemed to have been renumbered with effect from the 1st day of April, 1974, as sub-section (*1*) thereof and,—

(*a*) in sub-section (*1*) as so renumbered, after the words "for the purposes of the business of the said undertaking", the brackets and words "(hereafter in this section referred to as the original asset)" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1974;

(*b*) after sub-section (*1*) as so renumbered, the following sub-section shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1974, namely:—

"(*2*) Where the compensation awarded for the compulsory acquisition of the original asset is enhanced by any court, tribunal or other authority, then,

(*a*) so much of the capital gain, computed under section 48 by taking the compensation as so enhanced as the full value of the consideration received or accruing as a result of such transfer, as is not excluded under sub-section (*1*) from being charged to tax under section 45, or

(*b*) the capital gain attributable to the enhancement of the compensation,

whichever is less (that which is less being hereafter in this sub-section referred to as the unadjusted capital gain), shall, if the assessee has within a period of three years after the date of receipt of the additional compensation purchased any land or building or any right in any land or building or constructed any building for the purposes of shifting or re-establishing the undertaking referred to in sub-section (*1*) or setting up another industrial undertaking (such land, building or right being hereafter in this sub-section referred to as the relevant asset), be dealt with in the following manner, that is to say,—

(*i*) if the amount of the unadjusted capital gain is greater than the cost of the relevant asset, the difference between the amount of the unadjusted capital gain and the cost of the relevant asset shall be charged under section 45 as the income of the previous year in which the transfer took place; and for the purpose of computing in respect of the relevant asset any capital gain arising from its transfer within a period of three years of its purchase or construction, as the case may be, the cost shall be *nil;* or

(*ii*) if the amount of the unadjusted capital gain is equal to or less than the cost of the relevant asset, the unadjusted capital gain shall not be charged under section 45: and for the purpose of computing in respect of the relevant asset any capital gain arising from its transfer within a period of three years of its purchase or construction, as the case may be, the cost shall be reduced by the amount of the unadjusted capital gain.".

Amendment of section 54E.

**13.** In section 54E [as directed to be inserted by section 13 of the Finance (No. 2) Act, 1977] of the Income-tax Act,— 29 of 1977.

(*a*) in sub-section (*1*),—

(*i*) in *Explanation 1*,—

(*1*) in the opening portion, after the words "For the purposes of this sub-section", the words, brackets and figure "and sub-section (*3*)" shall be inserted;

(*2*) in clause (*v*), the words, figures and letters ", where the investment in such shares is made before the 1st day of March, 1978" shall be inserted at the end;

(*3*) after clause (*v*), the following clause shall be inserted, namely:—

"(*va*) equity shares forming part of any eligible issue of capital, where the investment in such shares is made after the 28th day of February, 1978;";

(*ii*) *Explanation 2* shall be renumbered as *Explanation 4* and before the *Explanation* as so renumbered, the following *Explanations* shall be inserted, namely:—

'*Explanation 2.*—"Eligible issue of capital" shall have the meaning assigned to it in sub-section (*3*) of section 80CC.

*Explanation 3.*—An assessee shall not be deemed to have invested the full value of the consideration or any part thereof in any equity shares referred to in clause (*va*) of *Explanation 1*, unless the assessee has subscribed to or purchased the shares in the manner specified in sub-section (*4*) of section 80CC.';

(*b*) after sub-section (*1*), the following sub-sections shall be inserted, namely:—

"(*1A*) Where the assessee deposits after the 27th day of April, 1978 the full value of the consideration or any part thereof received or accruing as a result of the transfer of the original asset in any new asset, being a deposit referred to in clause (*vi*) of *Explanation 1* below sub-section (*1*), the cost of such new asset shall not be taken into account for the purposes of that sub-section unless the following conditions are fulfilled, namely:—

(*a*) the assessee furnishes, along with the deposit, a declaration in writing, to the bank or the co-operative society referred to in the said clause (*vi*) with which such deposit is made, to the effect that the assessee will not take any loan or advance on the security of such deposit during a period of three years from the date on which the deposit is made;

(*b*) the assessee furnishes, along with the return of income for the assessment year relevant to the previous year in which the transfer of the original asset was effected or within such further time as may be allowed by the Income-tax Officer, a copy of the declaration referred to in clause (*a*) duly attested by an officer not below the rank of sub-agent, agent or manager of such bank or an officer of corresponding rank of such co-operative society.

(*1B*) Where on the fulfilment of the conditions specified in sub-section (*1A*), the cost of the new asset referred to in that sub-section is taken into account for the purposes of sub-section (*1*), the assessee shall, within a period of ninety days from the expiry of the period of three years reckoned from the date of such deposit, furnish to the Income-tax Officer a certificate from the officer referred to in clause (*b*) of sub-section (*1A*) to the effect that the assessee has not taken any loan or advance on the security of such deposit during the said period of three years.";

(c) in sub-section (*2*), the following *Explanation* shall be inserted at the end, namely:—

"*Explanation.*—Where the assessee deposits after the 27th day of April, 1978 the full value of the consideration or any part thereof received or accruing as a result of the transfer of the original asset in any new asset, being a deposit referred to in clause (*vi*) of *Explanation 1* below sub-section (*1*), and such assessee takes any loan or advance on the security of such deposit, he shall be deemed to have converted (otherwise than by transfer) such deposit into money on the date on which such loan or advance is taken.";

(*d*) after sub-section (*2*), the following sub-sections shall be inserted, namely:—

'(*3*) Where the transfer of the original asset is by way of compulsory acquisition under any law or where the full value of the consideration for the transfer of the capital asset is determined or approved by the Central Government or the Reserve Bank of India, and the compensation awarded for such acquisition or, as the case may be, the full value of the consideration so determined or approved is enhanced by any court, tribunal or other authority, then, so much of the capital gain, computed under section 48 by taking the compensation or consideration as so enhanced as the full value of the consideration received or accruing as a result of such transfer, as is attributable to the enhancement of the compensation or consideration (hereafter in this sub-section referred to as the unadjusted capital gain) shall, if the assessee has, within a period of six months after the date of receipt of the additional compensation or, as the case may be, the additional consideration, invested or deposited the whole or any part of such additional compensation or consideration in any specified asset (hereafter in this section referred to as the relevant asset), be dealt with in the following manner, that is to say,—

(*a*) if the cost of the relevant asset is not less than the additional compensation or consideration, the whole of the unadjusted capital gain shall not be charged under section 45;

(*b*) if the cost of the relevant asset is less than the additional compensation or consideration, so much of the unadjusted capital gain as bears to the whole of the unadjusted capital gain the same proportion as the cost of acquisition of the relevant asset bears to the additional compensation or consideration shall not be charged under section 45,

*Explanation.*—For the purposes of this sub-section,—

(*i*) "additional compensation" shall have the meaning assigned to it in clause (*1*) of the *Explanation* to sub-section (*2*) of section 54;

(*ii*) "additional consideration", in relation to the transfer of any capital asset the consideration for which was determined or approved by the Central Government or the Reserve Bank of India, means the difference between the amount of consideration for such transfer as enhanced by any court, tribunal or other authority and the amount of consideration which would have been payable if such enhancement had not been made;

(*iii*) "cost", in relation to any relevant asset, being a deposit referred to in clause (*vi*) of *Explanation 1* below sub-section (*1*), means the amount of such deposit;

(*iv*) the capital gain attributable to the enhancement by any court, tribunal or other authority of the compensation for the compulsory acquisition of any capital asset or of the consideration for the transfer of any capital asset as determined or approved by the Central Government or the Reserve Bank of India shall be deemed to be so much of the capital gain arising from the transfer of the capital asset as bears to the whole of the capital gain as computed under section 48 by taking the compensation or consideration as so enhanced as the full value of the consideration received or accruing as a result of the transfer, the same proportion as the amount of additional compensation or consideration bears to the compensation or consideration as so enhanced.

(*4*) Where the relevant asset is transferred, or converted (otherwise than by transfer) into money, within a period of three years from the date of its acquisition, the amount of capital gain arising from the transfer of the original asset not charged under section 45 on the basis of the cost of such relevant asset as provided in clause (*a*) or, as the case may be, clause (*b*), of sub-section (*3*) shall be deemed to be income chargeable under the head "Capital gains" relating to capital assets other than short-term capital assets of the previous year in which the relevant asset is transferred or converted (otherwise than by transfer) into money.

*Explanation.*—Where the assessee deposits after the 27th day of April, 1978, the whole or any part of the additional compensation or, as the case may be, the additional consideration referred to in sub-section (*3*) in any relevant asset, being a deposit referred to in clause (*vi*) of *Explanation 1* below sub-section (*1*), and such assessee takes any loan or advance on the security of such deposit, he shall be deemed to have converted (otherwise than by transfer) such deposit into money on the date on which such loan or advance is taken.

(*5*) Where the assessee deposits the whole or any part of the additional compensation or, as the case may be, the additional consideration referred to in sub-section (*3*) in any relevant asset,

being a deposit referred to in clause (*vi*) of *Explanation 1* below sub-section (*1*), the provisions of sub-sections (*1A*) and (*1B*) shall apply in relation to such deposit as they apply in relation to the deposit referred to in the said sub-sections.

(*6*) Where the cost of the equity shares referred to in clause (*va*) of *Explanation 1* below sub-section (*1*) is taken into account for the purposes of clause (*a*) or clause (*b*) of sub-section (*1*) or clause (*a*) or clause (*b*) of sub-section (*3*), a deduction with reference to such cost shall not be allowed under section 80CC.'.

Amendment of section 72A.

**14.** In section 72A [as directed to be inserted by section 15 of the Finance (No. 2) Act, 1977] of the Income-tax Act, after sub-section (*2*) and before the *Explanation*, the following sub-section shall be inserted, namely:—

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"(*3*) Where a company owning an industrial undertaking or a ship proposes to amalgamate with any other company and such other company submits the proposed scheme of amalgamation to the specified authority and that authority is satisfied, after examining the scheme and taking into account all relevant facts, that the conditions referred to in sub-section (*1*) would be fulfilled if such amalgamation is effected in accordance with such scheme or, as the case may be, in accordance with such scheme as modified in such manner as that authority may specify, it shall intimate such other company that, after the amalgamation is effected in accordance with such scheme or, as the case may be, such scheme as so modified, it would make (unless there is any material change in the relevant facts) a recommendation to the Central Government under sub-section (*1*).".

Amendment of section 80A.

**15.** In section 80A of the Income-tax Act, sub-section (*4*) shall be omitted with effect from the 1st day of April, 1979.

Amendment of section 80C.

**16.** In section 80C of the Income-tax Act, with effect from the 1st day of April, 1979,—

(*a*) for sub-section (*1*), the following sub-section shall be substituted, namely:—

"(*1*) In computing the total income of an assessee, there shall be deducted, in accordance with and subject to the provisions of this section, an amount calculated, with reference to the aggregate of the sums specified in sub-section (*2*), at the following rates, namely:—

| | |
|---|---|
| (*a*) where such aggregate does not exceed Rs. 5,000 | The whole of such aggregate; |
| (*b*) where such aggregate exceeds Rs. 5,000 but does not exceed Rs. 10,000 | Rs. 5,000 *plus* 50 per cent. of the amount by which such aggregate exceeds Rs. 5,000; |
| (*c*) where such aggregate exceeds Rs. 10,000 | Rs. 7,500 *plus* 40 per cent. of the amount by which such aggregate exceeds Rs. 10,000."; |

(*b*) in sub-section (*4*), in clauses (*ii*) and (*iv*), for the words "twenty thousand rupees", the words "thirty thousand rupees" shall be substituted.

**Insertion of new section 80CC.**

**Deduction in respect of investment in certain new shares.**

**17.** In the Income-tax Act, after section 80C, the following section shall be inserted, namely:—

'80CC. (*1*) Where an assessee, being—

(*a*) an individual, or

(*b*) a Hindu undivided family, or

(*c*) an association of persons or a body of individuals consisting only of husband and wife governed by the system of community of property in force in the Union territories of Dadra and Nagar Haveli and Goa, Daman and Diu,

has acquired in the previous year (being a previous year relevant to the assessment year commencing on the 1st day of April, 1979 or any subsequent assessment year), out of his income chargeable to tax, equity shares forming part of any eligible issue of capital, he shall, in accordance with and subject to the provisions of this section, be allowed a deduction in the computation of his total income of an amount equal to fifty per cent. of the cost of such shares to him.

*Explanation.*—Where in any previous year the assessee has acquired any shares referred to in this sub-section and has, within a period of six months from the end of that previous year paid the whole or a part of the amount, if any, remaining unpaid on such shares, the amount so paid shall be deemed to have been paid by the assessee towards the cost of such shares in that previous year.

(*2*) Where the aggregate cost to the assessee of the shares referred to in sub-section (*1*) which are acquired by him in the previous year exceeds ten thousand rupees, the deduction under that sub-section shall be allowed only with reference to such of those shares (being shares the aggregate cost whereof to the assessee does not exceed ten thousand rupees) as are specified by him in this behalf.

(*3*) For the purposes of this section, "eligible issue of capital" means an issue of equity shares which satisfies the following conditions, namely:—

(*a*) the issue is made by a public company formed and registered in India with the main object of carrying on the business of—

(*i*) construction, manufacture or production of any article or thing, not being an article or thing specified in the list in the Eleventh Schedule; or

(*ii*) providing long-term finance for construction or purchase of houses in India for residential purposes:

Provided that in the case of a public company formed and registered in India with the main object of carrying on the business referred to in sub-clause (*ii*), such company is approved by the Central Government for the purposes of this section;

(*b*) the issue is an issue of capital made by the company for the first time;

(*c*) the shares forming part of the issue are offered for subscription to the public;

(*d*) such other conditions as may be prescribed:

Provided that in the case of a company which had originally been

incorporated as a private company but has become a public company under the provisions of the Companies Act, 1956, an issue of equity shares made by it for the first time after it has become a public company shall not be regarded as an eligible issue of capital, if— 1 of 1956.

(*i*) such company had declared, distributed or paid any dividend when it was a private company; or

(*ii*) any of the shares forming part of such issue is offered for subscription at a premium.

*Explanation 1.*—If any question arises as to whether any issue of equity shares would constitute an eligible issue of capital for the purposes of this section, the question shall be referred to the Central Government whose decision thereon shall be final.

*Explanation 2.*—In this sub-section and sub-section (*4*), "public company" shall have the meaning assigned to it in section 3 of the Companies Act, 1956. 1 of 1956.

(*4*) The deduction under sub-section (*1*) shall not be allowed unless the assessee has—

(*i*) subscribed to the shares in pursuance of an offer for subscription to the public made by the public company or in pursuance of a reservation or an option in his favour by reason of his being a promoter of the company; or

(*ii*) purchased the shares from a person who is specified as an underwriter in respect of the issue of such shares in pursuance of clause 11 of Part I of Schedule II to the Companies Act, 1956 and who has acquired such shares by virtue of his obligation as such underwriter. 1 of 1956.

(*5*) If any equity shares, with reference to the cost of which a deduction is allowed under sub-section (*1*), are sold or otherwise transferred by the assessee to any person at any time within a period of five years from the date of their acquisition, an amount equal to fifty per cent. of the cost to the assessee of the shares so sold or otherwise transferred shall be deemed to be the income of the assessee of the previous year in which the shares are so sold or transferred and shall be chargeable to tax accordingly.

*Explanation.*—A person shall be treated as having acquired any shares on the date on which his name is entered in relation to those shares in the register of members of the company.

(*6*) Where a deduction is claimed and allowed under sub-section (*1*) with reference to the cost of any equity shares, the cost of such shares shall not be taken into account for the purposes of section 54E.'.

**18.** In section 80P of the Income-tax Act, in sub-section (2), for clause (*b*), the following clause shall be substituted with effect from the 1st day of April, 1979, namely:— Amendment of section 80P.

"(*b*) in the case of a co-operative society, being a primary society engaged in supplying milk raised by its members to—

(*i*) a federal milk co-operative society; or

(*ii*) the Government or a local authority; or

(*iii*) a Government company as defined in section 617 of the Companies Act, 1956 or a corporation established by or under a Central, State or Provincial Act (being a company or corporation engaged in supplying milk to the public), 1 of 1956.

the whole of the amount of profits and gains of such business;".

Amendment of section.

19. In section 155 of the Income-tax Act,—

(*a*) after sub-section (7), the following sub-section shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1974, namely:—

"(7*A*) Where in the assessment for any year, the capital gain arising from the transfer of a capital asset, being a transfer by way of compulsory acquisition under any law, or a transfer the consideration for which was determined or approved by the Central Government or the Reserve Bank of India, is computed under section 48 and the compensation for such acquisition or the consideration for such transfer is enhanced or further enhanced by any court, tribunal or other authority, the computation or, as the case may be, computations made earlier shall be deemed to have been wrongly made and the Income-tax Officer shall, notwithstanding anything contained in this Act, recompute in accordance with section 48 the capital gain arising from such transfer by taking the compensation or the consideration as enhanced or further enhanced, as the case may be, to be the full value of the consideration received or accruing as a result of such transfer and shall make the necessary amendment; and the provisions of section 154 shall, so far as may be, apply thereto, the period of four years specified in sub-section (7) of that section being reckoned from the end of the previous year in which the additional compensation or consideration was received by the assessee.";

(*b*) in sub-section (8), for the words and figures "under the provisions of section 54", the words, brackets and figures "under the provisions of sub-section (1) of section 54" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1974;

(*c*) after sub-section (8), the following sub-section shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1974, namely:—

"(8*A*) Where in the assessment for any year, a capital gain arising from the transfer by way of compulsory acquisition under any law of any such capital asset as is referred to in section 54 is charged to tax and if the compensation for such acquisition is enhanced or further enhanced, as the case may be, by any court, tribunal or other authority, and the assessee purchases, within a period of one year after the date of receipt of the additional compensation, or constructs, within a period of two years after that date, a house property for the purposes of his own residence, the Income-tax Officer shall amend the order of assessment so as to exclude the amount of capital gain not chargeable to tax under the provisions of sub-section (2) of section 54; and the provisions of section 154 shall, so far as may be, apply thereto, the period of four years specified in sub-section (7) of that section being reckoned from the end of the previous year in which the additional compensation was received by the assessee.";

(*d*) in sub-section (9), for the words, figures and letter "under the provisions of section 54B", the words, brackets, figures and letter "under the provisions of sub-section (1) of section 54B" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1974;

(*e*) after sub-section (*9*), the following sub-section shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1974, namely:—

"(*9A*) Where in the assessment for any year, a capital gain arising from the transfer by way of compulsory acquisition under any law of any such capital asset as is referred to in section 54B is charged to tax and if the compensation for such acquisition is enhanced or further enhanced, as the case may be, by any court, tribunal or other authority, and within a period of two years after the receipt of the additional compensation, the assessee purchases any land for being used for agricultural purposes, the Income-tax Officer shall amend the order of assessment so as to exclude the amount of capital gain not chargeable to tax under the provisions of sub-section (*2*) of section 54B; and the provisions of section 154 shall, so far as may be, apply thereto, the period of four years specified in sub-section (*7*) of that section being reckoned from the end of the previous year in which the additional compensation was received by the assessee.";

(*f*) in sub-section (*10*), for the words, figures and letter "under the provisions of section 54D", the words, brackets, figures and letter "under the provisions of sub-section (*1*) of section 54D" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1974;

(*g*) sub-section (*10*) shall be renumbered and shall be deemed to have been renumbered with effect from the 1st day of April, 1974 as clause (*a*) of that sub-section and after clause (*a*) as so renumbered, the following clause shall be inserted and shall be deemed to have been inserted with effect from that date, namely:—

"(*b*) Where in the assessment for any year, a capital gain arising from the transfer by way of compulsory acquisition of any such capital asset as is referred to in section 54D is charged to tax and if the compensation for such acquisition is enhanced or further enhanced, as the case may be, by any court, tribunal or other authority, and within a period of three years after the date of receipt of the additional compensation, the assessee purchases any land or building or any right in any land or building or constructs any building for the purpose of shifting or re-establishing the undertaking referred to in sub-section (*1*) of that section or setting up any other industrial undertaking, the Income-tax Officer shall amend the order of assessment so as to exclude the amount of capital gain not chargeable to tax under the provisions of sub-section (*2*) of section 54D; and the provisions of section 154 shall, so far as may be, apply thereto, the period of four years specified in sub-section (*7*) of that section being reckoned from the end of the previous year in which the additional compensation was received by the assessee.";

(*h*) in sub-section (*10A*) [as directed to be inserted by section 23 of the Finance (No. 2) Act, 1977], for the words, figures and letter "under the provisions of section 54E", the words, brackets, figures and letter "under the provisions of sub-section (*1*) of section 54E" shall be substituted;

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(*i*) after the said sub-section (*10A*), the following sub-section shall

be inserted, namely:—

"(*10B*) Where in the assessment for any year, a capital gain arising from the transfer, being a transfer by way of compulsory acquisition or a transfer the consideration for which was determined or approved by the Central Government or the Reserve Bank of India, of any capital asset, not being a short-term capital asset, is charged to tax and if the compensation or, as the case may be, consideration for such transfer is enhanced or further enhanced, as the case may be, by any court, tribunal or other authority, and within a period of six months after the receipt of the additional compensation or consideration, the assessee invests or deposits the whole or any part of the additional compensation or consideration in any specified asset referred to in *Explanation 1* of sub-section (*1*) of section 54E, the Income-tax Officer shall amend the order of assessment so as to exclude the amount of capital gain not chargeable to tax under the provisions of sub-section (*3*) of section 54E; and the provisions of section 154 shall, so far as may be, apply thereto, the period of four years specified in sub-section (7) of that section being reckoned from the end of the previous year in which the additional compensation or consideration was received by the assessee.";

(*j*) the following *Explanation* shall be inserted at the end and shall be deemed to have been so inserted with effect from the 1st day of April, 1974, namely:—

'*Explanation.*—For the purposes of this section,—

(*a*) "additional compensation" shall have the meaning assigned to it in clause (*1*) of the *Explanation* to sub-section (*2*) of section 54;

(*b*) "additional consideration", in relation to the transfer of any capital asset the consideration for which was determined or approved by the Central Government or the Reserve Bank of India, means the difference between the amount of consideration for such transfer as enhanced by any court, tribunal or other authority and the amount of consideration which would have been payable if such enhancement had not been made.'.

**Amendment of section 193.**

**20.** In section 193 of the Income-tax Act, in the proviso, after clause (*ia*), the following clause shall be inserted, namely:—

"(*ib*) any interest payable on National Development Bonds; or".

**Insertion of new section 194BB.**

**21.** After section 194B of the Income-tax Act, the following section shall be inserted, namely:—

**Winnings from horse race.**

"194BB. Any person, being a bookmaker or a person to whom a licence has been granted by the Government under any law for the time being in force for horse racing in any race course or for arranging for wagering or betting in any race cource, who is responsible for paying to any person any income by way of winnings from any horse race in an amount exceeding two thousand five hundred rupees shall, at the time of payment thereof, deduct income-tax thereon at the rates in force:

Provided that no deduction shall be made under this section from any payment made before the 1st day of June, 1978.",

Amendment of section 208.

22. In section 208 of the Income-tax Act, in sub-section (*1*), in clause (*b*), for the words, brackets and figures "sub-section (*3*) of section 212", the word, figures and letter "section 209A" shall be substituted with effect from the 1st day of June, 1978.

Amendment of section 209.

23. In section 209 of the Income-tax Act, with effect from the 1st day of June, 1978,—

(*a*) in sub-section (*1*), for clause (*c*), the following clause shall be substituted, namely:—

"(*c*) in cases where an estimate (including a revised estimate) is sent by the assessee under section 209A or section 212, the total income so estimated shall, for the purposes of calculation of tax under this section, be substituted for the total income referred to in clause (*a*);";

(*b*) in sub-section (*2*),—

(*i*) in clause (*a*), in the opening portion, after the words "in cases", the words, brackets, figures and letter "where the assessee sends a statement under sub-section (*1*) of section 209A or" shall be inserted;

(*ii*) in clause (*b*), for the words, brackets, figures and letter "in cases where an estimate is sent by the assessee under sub-section (*1*) or sub-section (*2*) or sub-section (*3*) or sub-section (*3A*) of section 212", the words, brackets, figures and letter "in cases where an estimate (including a revised estimate) is sent by the assessee under section 209A or section 212" shall be substituted.

Insertion of new section 209A.

24. In the Income-tax Act, after section 209, the following section shall be inserted with effect from the 1st day of June, 1978, namely:—

Computation and payment of advance tax by assessee.

'209A. (*1*) Every person shall, in each financial year, before the date on which the first instalment, or where he has not previously been assessed by way of regular assessment under this Act, before the date on which the last instalment, of advance tax is due in his case under sub-section (*1*) of section 211, if his current income is likely to exceed the amount specified in sub-section (*2*) of section 208, send to the Income-tax Officer—

(*a*) where he has been previously assessed by way of regular assessment under this Act, a statement of advance tax payable by him computed in the manner laid down in clause (*a*) or, as the case may be, sub-clause (*i*) of clause (*d*) of sub-section (*1*) of section 209, or

(*b*) where he has not previously been assessed by way of regular assessment under this Act, an estimate of—

(*i*) the current income, and

(*ii*) the advance tax payable by him on the current income calculated in the manner laid down in section 209,

and shall pay such amount of advance tax as accords with the statement or, as the case may be, estimate in equal instalments on the dates applicable in his case under section 211.

(*2*) Where an assessee who is required to send a statement under clause (*a*) of sub-section (*1*) estimates at any time before the date on

which the first instalment of advance tax is due in his case under sub-section (*1*) of section 211 that, by reason of his current income being likely to be less than the income on which advance tax is payable by him under sub-section (*1*) or for any other reason, the amount of advance tax computed in the manner laid down in section 209 on the current income would be less than the amount of advance tax payable by him under sub-section (*1*), he may send to the Income-tax Officer, in lieu of such statement, an estimate of—

(*i*) the current income, and

(*ii*) the advance tax payable by him on the current income calculated in the manner laid down in section 209,

and shall pay such amount of advance tax as accords with his estimate in equal instalments on the dates applicable in his case under section 211.

(*3*) Where an assessee who has sent a statement under clause (*a*) of sub-section (*1*) estimates at any time before the last instalment of advance tax is due in his case that, by reason of his current income being likely to be less than the income on which advance tax is payable by him under sub-section (*1*) or for any other reason, the amount of advance tax computed in the manner laid down in section 209 on the current income would be less than the amount of advance tax payable by him under sub-section (*1*), he may, at his option, send to the Income-tax Officer an estimate of—

(*i*) the current income, and

(*ii*) the advance tax payable by him on the current income calculated in the manner laid down in section 209,

and shall pay such amount of advance tax as accords with his estimate in equal instalments on such of the dates applicable in his case under section 211 as have not expired, or in one sum if only the last of such dates has not expired.

(*4*) In the case of any assessee who is liable to pay advance tax under sub-section (*1*) or sub-section (*2*) or, as the case may be, sub-section (*3*), if, by reason of the current income being likely to be greater than the income on which the advance tax so payable by him has been computed or for any other reason, the amount of advance tax computed in the manner laid down in section 209 on the current income (which shall be estimated by the assessee) exceeds the amount of advance tax so payable by him by more than 33-1/3 per cent. of the latter amount, he shall, at any time before the date on which the last instalment of advance tax is payable by him, send to the Income-tax Officer an estimate of—

(*i*) the current income, and

(*ii*) the advance tax payable by him on the current income calculated in the manner laid down in section 209,

and shall pay such amount of advance tax as accords with his estimate on such of the dates applicable in his case under section 211 as

have not expired, by instalments which may be revised according to sub-section (5):

Provided that in a case where the Commissioner is satisfied that, having regard to the nature of the business carried on by the assessee and the date of expiry of the previous year in respect of such business, it will be difficult for the assessee to furnish the estimate required to be furnished by him in accordance with the provisions of this sub-section before the date on which the last instalment of advance tax is due in his case, he may, if the assessee pays the advance tax which he is liable to pay under sub-section (1) or sub-section (2) or, as the case may be, sub-section (3) before such date, extend the date for furnishing such estimate up to a period of thirty days immediately following the last date of the previous year in respect of that business and, where the date is so extended, the assessee shall pay, on or before the date as so extended, the amount by which the advance tax already paid by him falls short of the advance tax payable in accordance with his estimate.

(5) The assessee may send a revised estimate of the advance tax payable by him before any one of the dates specified in section 211 and adjust any excess or deficiency in respect of any instalment already paid in a subsequent instalment or in subsequent instalments.

(6) Every statement or estimate under this section shall be sent in the prescribed form and verified in the prescribed manner.

*Explanation.*—For the purposes of this section and section 212, "current income", in relation to the advance tax payable by an assessee during any financial year, means the total income of the assessee [exclusive of capital gains and income referred to in sub-clause (*ix*) of clause (24) of section 2, if any] of the period which would be the previous year for the assessment year immediately following that financial year.'.

Amendment of section 211.

25. In section 211 of the Income-tax Act, in sub-section (1), with effect from the 1st day of June, 1978,—

(*a*) in the opening portion, for the words and figures "Subject to the provisions of this section and of section 212", the words, figures and letter "Subject to the provisions of this section and of sections 209A and 212" shall be substituted;

(*b*) for the *Explanation*, the following *Explanation* shall be substituted, namely:—

'*Explanation.*—In this sub-section, "total income" means,—

(*a*) in a case where the advance tax is paid by the assessee in accordance with the statement sent by him under sub-section (1) of section 209A or in accordance with an order of the Income-tax Officer under section 210, the total income with reference to which the advance tax payable has been calculated in such statement or order;

(*b*) in a case where the advance tax is paid in accordance with an estimate (including a revised estimate) made by the assessee under section 209A or section 212, the total income with reference to which the advance tax is so estimated,

as reduced, in either case, by the amount of capital gain and income referred to in sub-clause (*ix*) of clause (24) of section 2, if any, included therein.'.

Amendment of section 212.

**26.** In section 212 of the Income-tax Act, with effect from the 1st day of June, 1978,—

(*a*) in sub-section (*1*), for the words, brackets and figures "by reason of his total income [exclusive of capital gains and income referred to in sub-clause (*ix*) of clause (*24*) of section 2, if any] of the period which would be the previous year for the immediately following assessment year (such total income being, hereafter in this section, referred to as current income)", the words "by reason of his current income" shall be substituted;

(*b*) sub-section (*3*) shall be omitted.

Amendment of section 215.

**27.** In section 215 of the Income-tax Act, in sub-section (*1*), for the words and figures "advance tax under section 212 on the basis of his own estimate", the words, figures, letter and brackets "advance tax under section 209A or section 212 on the basis of his own estimate (including revised estimate)" shall be substituted with effect from the 1st day of June, 1978.

Amendment of section 216.

**28.** In section 216 of the Income-tax Act, in clause (*a*), for the words, brackets, figures and letter "under sub-section (*1*) or sub-section (*2*) or sub-section (*3*) or sub-section (*3A*) of section 212", the words, figures and letter "under section 209A or section 212" shall be substituted with effect from the 1st day of June, 1978.

Amendment of section 217.

**29.** In section 217 of the Income-tax Act, with effect from the 1st day of June, 1978,—

(*a*) in sub-section (*1*),—

(*i*) for the portion beginning with the words "the Income-tax Officer finds that any such person" and ending with the words "twelve per cent. per annum", the following shall be substituted, namely:—

"the Income-tax Officer finds—

(*a*) that any such person as is referred to in clause (*a*) of sub-section (*1*) of section 209A has not sent the statement referred to in that clause or the estimate in lieu of such statement referred to in sub-section (*2*) of that section; or

(*b*) that any such person as is referred to in clause (*b*) of sub-section (*1*) of section 209A has not sent the estimate referred to in that clause,

simple interest at the rate of twelve per cent. per annum";

(*ii*) for the words "the said sub-section", the words, brackets and figures "the said sub section (*1*) or sub-section (*2*)" shall be substituted;

(*b*) in sub-section (*1A*),—

(*i*) after the words "the Income-tax Officer finds that", the words, brackets, figures and letter "any person who is required to send an estimate under sub-section (*4*) of section 209A or" shall be inserted;

(*ii*) for the words "the said sub-section", the words, brackets, figures and letter "the said sub-section (*4*) or, as the case may be, sub-section (*3A*)" shall be substituted.

Substitution of new section for section 218.

**30.** For section 218 of the Income-tax Act the following section shall be substituted with effect from the 1st day of June, 1978, namely:—

When assessee deemed to be in default.

"218. (*1*) If any assessee has sent,—

(*a*) under sub-section (*1*) of section 209A, a statement, or

(*b*) under section 209A or section 212 an estimate or a revised estimate,

of the advance tax payable by him, but does not pay any instalment in accordance therewith on the date or dates specified in section 211, he shall be deemed to be an assessee in default in respect of such instalment or instalments.

(*2*) If any assessee does not pay on the specified date any instalment of advance tax that he is required to pay under section 210 and does not, before the date on which any such instalment as is not paid becomes due, send under sub-section (*1*) or sub-section (*2*) of section 212 an estimate or a revised estimate of the advance tax payable by him, he shall be deemed to be an assessee in default in respect of such instalment or instalments.

(*3*) Notwithstanding anything contained in sub-section (*1*) or sub-section (*2*), an assessee shall not be deemed to be in default in respect of any amount of which the payment is deferred under section 213 until after the date communicated by him to the Income-tax Officer under that section.".

Amendment of section 273.

**31.** In the Income-tax Act, with effect from the 1st day of June, 1978, section 273 shall be renumbered as sub-section (*2*) thereof and—

(*1*) before sub-section (*2*) as so renumbered, the following sub-section shall be inserted, namely:—

"(*1*) If the Income-tax Officer, in the course of any proceedings in connection with the regular assessment for any assessment year, is satisfied that any assessee—

(*a*) has furnished under clause (*a*) of sub-section (*1*) of section 209A a statement of the advance tax payable by him which he knew or had reason to believe to be untrue, or

(*b*) has without reasonable cause failed to furnish a statement of the advance tax payable by him in accordance with the provisions of clause (*a*) of sub-section (*1*) of section 209A,

he may direct that such person shall, in addition to the amount of tax, if any, payable by him, pay by way of penalty a sum—

(*i*) which, in the case referred to in clause (*a*), shall not be less than ten per cent. but shall not exceed one and a half times the amount by which the tax actually paid during the financial year immediately preceding the assessment year under the provisions of Chapter XVII-C falls short of—

(*1*) seventy-five per cent of the assessed tax as defined in sub-section (*5*) of section 215, or

(2) the amount which would have been payable by way of advance tax if the assessee had furnished a correct and complete statement in accordance with the provisions of clause (*a*) of sub-section (*1*) of section 209A,

whichever is less;

(*ii*) which, in the case referred to in clause (*b*), shall not be less than ten per cent. but shall not exceed one and a half times of seventy-five per cent. of the assessed tax as defined in sub-section (5) of section 215.";

(*2*) in sub-section (*2*) as so renumbered,—

(*a*) for clause (*a*), the following clause shall be substituted, namely:—

"(*a*) has furnished under sub-section (*1*) or sub-section (*2*) or sub-section (*3*) or sub-section (5) of section 209A, or under sub-section (*1*) or sub-section (2) of section 212, an estimate of the advance tax payable by him which he knew or had reason to believe to be untrue, or";

(*b*) in clause (*aa*), after the words "has furnished", the words, brackets, figures and letter "under sub-section (4) of section 209A or" shall be inserted;

(*c*) in clause (*b*), for the words, brackets and figures "sub-section (3) of section 212", the words, brackets, letters and figures "clause (*b*) of sub-section (*1*) of section 209A" shall be substituted;

(*d*) in clause (c), for the words, brackets, figures and letter "sub-section (*3A*) of section 212", the words, brackets, figures and letters "sub-section (4) of section 209A or sub-section (*3A*) of section 212" shall be substituted;

(*e*) for sub-clause (*2*) of clause (*i*), the following sub-clause shall be substituted, namely:—

"(*2*) where a statement under clause (*a*) of sub-section (*1*) of section 209A was furnished by the assessee or where a notice under section 210 was issued to the assessee, the amount payable under such statement or, as the case may be, such notice,";

(*f*) for clause (*iii*), the following clause shall be substituted, namely:—

"(*iii*) which, in the case referred to in clause (*c*), shall not be less than ten per cent. but shall not exceed one and a half times the amount by which—

(*a*) where the assessee has sent a statement under clause (*a*), or an estimate under clause (*b*), of sub-section (*1*) of section 209A, or an estimate in lieu of a statement under sub-section (2) of that section, the tax payable in accordance with such statement or estimate; or

(*b*) where the assessee was required to pay advance tax in accordance with the notice issued to him under section 210, the tax payable under such notice,

falls short of seventy-five per cent. of the assessed tax as defined in sub-section (5) of section 215.";

(*g*) in the *Explanation*, for the words, brackets, figures and letter "proviso to sub-section (*3A*) of section 212", the words, brackets, figures and letters "proviso to sub-section (4) of section 209A or, as the case may be, proviso to sub-section (*3A*) of section 212" shall be substituted.

Consequential amendments to certain sections.

**32.** The following amendments (being amendments of a consequential native) shall be made in the Income-tax Act, namely:—

(*a*) in sub-clause (*ii*) of clause (*37A*) of section 2 and in clause (*a*) of sub-section (*1*) of section 197, for the figures and letter "194B,", the figures and letters "194B, 194BB," shall be substituted;

(*b*) in sections 198, 199, 200, 202, 203, 204 and 205, for the word, figures and letter "section 194B,", the words, figures and letters "section 194B, section 194BB," shall be substituted.

*Interest-tax*

Amendment of Act 45 of 1974.

**33.** In the Interest-tax Act, 1974, in sub-section (*2*) of section 6, for the words, figures and letters "before the 1st day of August, 1974", the words, figures and letters "before the 1st day of August, 1974 or after the 28th day of February, 1978" shall be substituted with effect from the 1st day of April, 1979.

## CHAPTER IV

### INDIRECT TAXES

Amendment of Act 51 of 1975.

**34.** In the First Schedule to the Customs Tariff Act, 1975 (hereinafter referred to as the Customs Tariff Act),—

(*i*) after the existing entry in column (3), against sub-heading No. (2) of Heading No. 37.01/08, the following *Explanation* shall be inserted, namely:—

"*Explanation.*—For the purposes of this sub-heading, where a film is designed with a view to different vertical sections thereof being exposed separately, its length shall be deemed to be the aggregate of the lengths of all such sections.";

(*ii*) in Heading No. 51.01/03, for the entry in column (3), the entry "200% *plus* Rs. 30 per kilogram" shall be substituted.

Auxiliary duties of customs.

**35.** (*1*) In the case of goods mentioned in the First Schedule to the Customs Tariff Act, or in that Schedule as amended from time to time, there shall be levied and collected as an auxiliary duty of customs an amount equal to twenty per cent. of the value of the goods as determined in accordance with the provisions of section 14 of the Customs Act, 1962 (hereinafter referred to as the Customs Act).

52 of 1962.

(*2*) Sub-section (*1*) shall cease to have effect after the 31st day of March, 1979, except as respects things done or omitted to be done before

such cesser; and section 6 of the General Clauses Act, 1897, shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act. 10 of 1897.

(3) The auxiliary duties of customs referred to in sub-section (1) shall be in addition to any duties of customs chargeable on such goods under the Customs Act, or any other law for the time being in force.

(4) The provisions of the Customs Act, and the rules and regulations made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the auxiliary duties of customs leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of customs on such goods under that Act or those rules and regulations, as the case may be.

Amendment of Act 1 of 1944.

36. In the Central Excises and Salt Act, 1944 (hereinafter referred to as the Central Excises Act), in the First Schedule,—

(*i*) in Item No. 8, the *Explanation* shall be numbered as ***Explanation I*** and after the *Explanation* as so numbered, the following *Explanation* shall be inserted, namely:—

"*Explanation II.*—This Item does not include—

(*a*) base mineral oils (suitable for use in the manufacture of lubricating oils and greases) including mineral oils commonly known as Transformer oil base stock or Transformer oil feed stock; and

(*b*) lubricating oils including spindle oils, flushing oils and jute batching oils.";

(*ii*) in Item No. 10, the *Explanation* shall be numbered as *Explanation I* and after the *Explanation* as so numbered, the following *Explanation* shall be inserted, namely:—

"*Explanation II.*—This Item does not include—

(*a*) base mineral oils suitable for use in the manufacture of lubricating oils and greases; and

(*b*) lubricating oils including axle oil.";

(*iii*) in Item No. 11A, sub-item (4) shall be renumbered as sub-item (5) and before sub-item (5) as so renumbered, the following sub-item shall be inserted, namely:—

| | |
|---|---|
| "(4) (*a*) Base mineral oils (suitable for use in the manufacture of lubricating oils and greases) including mineral oils commonly known as Transformer oil base stock or Transformer oil feed stock; | Three thousand and five hundred rupees per metric tonne. |
| (*b*) Lubricating oils (including spindle oils, flushing oils, jute batching oils and axle oil) and lubricating greases. | Three thousand and five hundred rupees per metric tonne."; |

(*iv*) after Item No. 11C, the following Items shall be inserted, namely:—

| | | |
|---|---|---|
| "11D. | COAL (EXCLUDING LIGNITE), AND COKE NOT ELSEWHERE SPECIFIED. | Ten rupees per metric tonne. |
| 11E. | ELECTRICITY. | Two paise per kilowatt-hour."; |

(*v*) in Item No. 18, after sub-item III, the following sub-item shall be inserted, namely:—

| | | |
|---|---|---|
| "IV. | NON-CELLULOSIC WASTES, ALL SORTS. | Nine rupees per kilogram."; |

*Explanation.*—This Item includes only wastes arising in, or in relation to, the manufacture of man-made fibres (other than mineral fibres) and man-made filament yarns.

(*vi*) in Item No. 19 III, for the entry in the third column, the entry "The duty for the time being leviable on the base fabrics, if not already paid, *plus* thirty per cent. *ad valorem.*" shall be substituted;

(*vii*) in Item No. 22(3), for the entry in the third column, the entry "The duty for the time being leviable on the base fabrics, if not already paid, *plus* thirty per cent. *ad valorem.*" shall be substituted;

(*viii*) in Item No. 22B, for the entry in the third column, the entry "Thirty per cent. *ad valorem.*" shall be substituted;

(*ix*) in Item No. 34,—

(*a*) for the words "MOTOR VEHICLES AND TRACTORS—", the words "MOTOR VEHICLES AND TRACTORS, INCLUDING TRAILERS—" shall be substituted;

(*b*) after sub-item II, the following sub-item shall be inserted, namely:—

| | | |
|---|---|---|
| "III. | Trailers. | Twelve and half per cent. *ad valorem.*"; |

(*c*) for *Explanation I*, the following *Explanation* shall be substituted, namely:—

'*Explanation I.*—"Motor vehicle", "Tractor, including agricultural tractor" and "Trailer" shall include a chassis; but shall not include a vehicle running upon fixed rails.';

(*x*) for Item No. 34A, the following Item shall be substituted, namely:—

| | | |
|---|---|---|
| '34A. | PARTS AND ACCESSORIES, NOT ELSEWHERE SPECIFIED, OF MOTOR VEHICLES AND TRACTORS, INCLUDING TRAILERS. | Twenty per cent. *ad valorem.*'; |

*Explanation I.*—The expression "Motor vehicles" has the meaning assigned to it in Item No. 34.

*Explanation II.*—The expression "Tractors" shall include agricultural tractors.

(*xi*) in Item No. 68, for the entry in the third column, the entry "Five per cent. *ad valorem.*" shall be substituted.

Special duties of excise.

37. (*1*) In the case of goods chargeable with a duty of excise under the Central Excises Act as amended from time to time, read with any notification for the time being in force issued by the Central Government in relation to the duty so chargeable, there shall be levied and collected a special duty of excise equal to five per cent. of the amount so chargeable on such goods.

(*2*) Sub-section (*1*) shall cease to have effect after the 31st day of March, 1979, except as respects things done or omitted to be done before such cesser, and section 6 of the General Clauses Act, 1897, shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act. 10 of 1897.

(*3*) The special duties of excise referred to in sub-section (*1*) shall be in addition to any duties of excise chargeable on such goods under the Central Excises Act or any other law for the time being in force.

(*4*) The provisions of the Central Excises Act and the rules made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the special duties of excise leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of excise on such goods under that Act or those rules, as the case may be.

Discontinuance of salt duty.

38. For the year beginning on the 1st day of April, 1978, no duty under the Central Excises Act or the Customs Tariff Act shall be levied in respect of salt manufactured in, or imported into, India.

## CHAPTER V

### MISCELLANEOUS

Amendment of Act 6 of 1898.

39. In the First Schedule to the Indian Post Office Act, 1898,—

(*a*) for the sub-heading "*Letters*" and the entries thereunder, the following shall be substituted, namely:—

"*Letters*

| | |
|---|---|
| For a weight not exceeding ten grams | 25 paise. |
| For every ten grams or fraction thereof, exceeding ten grams | 15 paise."; |

(*b*) for the sub-headings "*Post cards*", "*Book, Pattern and Sample packets*" and "*Registered Newspapers*" and the entries under those sub-headings, the following shall be substituted, namely:—

"*Post cards* (*not being Post cards containing printed communication*)

| | |
|---|---|
| Single | 15 paise. |
| Reply | 30 paise. |

*Post cards containing printed communication*

| | |
|---|---|
| For a post card | 20 paise. |

*Explanation.*—A post card shall be deemed to contain a printed communication, if any matter (except the name and address of, and other particulars relating to, the sender and the place and date of despatch) is recorded by printing or by cyclostyling or by any other mechanical process, not being typewriting, on any part of the post card except the righthand half of the address-side thereof.

*Book, Pattern and Sample packets*

| | |
|---|---|
| For the first fifty grams or fraction thereof | 25 paise. |
| For every additional twenty-five grams or fraction thereof, in excess of fifty grams | 15 paise. |

*Registered Newspapers*

| | |
|---|---|
| For a weight not exceeding fifty grams | 2 paise. |
| For a weight exceeding fifty grams but not exceeding one hundred grams | 5 paise. |
| For every additional one hundred grams or fraction thereof, exceeding one hundred grams | 10 paise. |
| In the case of more than one copy of the same issue of a registered newspaper being carried in the same packet— | |
| for a weight not exceeding one hundred grams | 5 paise; |
| for every additional one hundred grams or fraction thereof, in excess of one hundred grams | 10 paise: |

Provided that such packet shall not be delivered at any addressee's residence but shall be given to a recognised agent at the Post Office.".

Amendment of Act 38 of 1974.

**40.** In the Compulsory Deposit Scheme (Income-tax Payers) Act, 1974,—

(*a*) in section 4,—

(*A*) in sub-section (*1*),—

(*1*) in clause (*i*), the word "and", occurring at the end, shall be omitted;

(*2*) for clause (*ii*), the following clauses shall be substituted, namely:—

"(*ii*) for the assessment year commencing on the 1st day of April, 1977 and the assessment year commencing on the 1st day of April, 1978, at the rates specified in Paragraph B of the Schedule; and

(*iii*) for the assessment year commencing on the 1st day of April, 1979, at the rates specified in Paragraph C of the Schedule.";

(*B*) in sub-section (*3*),—

(*1*) in clause (*a*), for the portion beginning with the words "in a case where the Income-tax Officer" and ending with the words and figures "section 212 of that Act", the following shall be substituted, namely:—

"in a case where a statement is sent by the person under clause (*a*) of sub-section (*1*) of section 209A of the Income-tax Act in the financial year immediately preceding that assessment year or where the Income-tax Officer has made an order under sub-section (*1*) or sub-section (*3*) of section 210 of that Act requiring the person to pay advance tax during the financial year immediately preceding that assessment year and the person has not sent an estimate under section 209A or, as the case may be, section 212 of that Act";

(*2*) in clause (*b*), for the words, brackets, figures and letter "sub-section (*1*) or sub-section (*2*) or sub-section (*3*) or sub-section (*3A*) of section 212", the words, figures and letter "section 209A or section 212" shall be substituted;

(*b*) in section 5, in clause (*a*), for the word and figures "section 211", the words, figures, brackets and letter "section 211 or sub-section (*4*) of section 209A" shall be substituted;

(*c*) in the Schedule, for the proviso, the following shall be substituted, namely:—

"*Paragraph* C

| | |
|---|---|
| (*i*) where the current income exceeds Rs. 15,000 but does not exceed Rs. 25,000 | 4.5 per cent. of the current income; |
| (*ii*) where the current income exceeds Rs. 25,000 but does not exceed Rs. 35,000 | Rs. 1,125 *plus* 11 per cent. of the amount by which the current income exceeds Rs. 25,000; |
| (*iii*) where the current income exceeds Rs. 35,000 but does not exceed Rs. 70,000 | Rs. 2,225 *plus* 12.5 per cent. of the amount by which the current income exceeds Rs. 35,000; |
| (*iv*) where the current income exceeds Rs. 70,000 | Rs. 6,600 *plus* 15 per cent. of the amount by which the current income exceeds Rs. 70,000: |

Provided that—

(*a*) in a case falling under Paragraph A or Paragraph B, where the current income exceeds Rs. 15,000 but does not exceed Rs. 15,620, the compulsory deposit shall in no case exceed the amount by which the current income exceeds Rs. 15,000;

(*b*) in a case falling under Paragraph C, where the current income exceeds Rs. 15,000 but does not exceed Rs. 15,710, the compulsory deposit shall in no case exceed the amount by which the current income exceeds Rs. 15,000;

(*c*) where the amount of compulsory deposit calculated in accordance with the foregoing provisions is less than Rs. 100, it shall not be necessary for the taxpayer concerned to make such deposit.".

## THE SCHEDULE

(*See* section 2)

### PART I

INCOME-TAX AND SURCHARGE ON INCOME-TAX

*Paragraph A*

*Sub-Paragraph I*

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (*vii*) of clause (*31*) of section 2 of the Income-tax Act, not being a case to which Sub-Paragraph II of this Paragraph or any other Paragraph of this Part applies,—

*Rates of income-tax*

| | |
|---|---|
| (1) where the total income does not exceed Rs. 8,000 | *Nil;* |
| (2) where the total income exceeds Rs. 8,000 but does not exceed Rs. 15,000 | 15 per cent. of the amount by which the total income exceeds Rs. 8,000; |
| (3) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000 | Rs. 1,050 *plus* 18 per cent. of the amount by which the total income exceeds Rs. 15,000; |
| (4) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000 | Rs. 1,950 *plus* 25 per cent. of the amount by which the total income exceeds Rs. 20,000; |
| (5) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000 | Rs. 3,200 *plus* 30 per cent. of the amount by which the total income exceeds Rs. 25,000; |
| (6) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000 | Rs. 4,700 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 30,000; |
| (7) where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000 | Rs. 12,700 *plus* 50 per cent. of the amount by which the total income exceeds Rs. 50,000; |
| (8) where the total income exceeds Rs. 70,000 but does not exceed Rs. 1,00,000 | Rs. 22,700 *plus* 55 per cent. of the amount by which the total income exceeds Rs. 70,000; |
| (9) where the total income exceeds Rs. 1,00,000 | Rs. 39,200 *plus* 60 per cent. of the amount by which the total income exceeds Rs. 1,00,000: |

Provided that for the purposes of this Sub-Paragraph,—

(*i*) no income-tax shall be payable on a total income not exceeding Rs. 10,000;

(*ii*) where the total income exceeds Rs. 10,000 but does not exceed Rs. 10,540, the income-tax payable thereon shall not exceed seventy per cent. of the amount by which the total income exceeds Rs. 10,000.

*Surcharge on income-tax*

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

*Sub-Paragraph II*

In the case of every Hindu undivided family which at any time during the previous year has at least one member whose total income of the

previous year relevant to the assessment year commencing on the 1st day of April, 1978 exceeds Rs. 10,000,—

*Rates of income-tax*

| | |
|---|---|
| (1) where the total income does not exceed Rs. 8,000 | *Nil;* |
| (2) where the total income exceeds Rs. 8,000 but does not exceed Rs. 15,000 | 18 per cent. of the amount by which the total income exceeds Rs. 8,000; |
| (3) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000 | Rs. 1,260 *plus* 25 per cent. of the amount by which the total income exceeds Rs. 15,000; |
| (4) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000 | Rs. 2,510 *plus* 30 per cent. of the amount by which the total income exceeds Rs. 20,000; |
| (5) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000 | Rs. 4,010 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 25,000; |
| (6) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000 | Rs. 6,010 *plus* 50 per cent. of the amount by which the total income exceeds Rs. 30,000; |
| (7) where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000 | Rs. 16,010 *plus* 55 per cent. of the amount by which the total income exceeds Rs. 50,000; |
| (8) where the total income exceeds Rs. 70,000 | Rs. 27,010 *plus* 60 per cent. of the amount by which the total income exceeds Rs. 70,000; |

Provided that for the purposes of this Sub-Paragraph,—

(*i*) no income-tax shall be payable on a total income not exceeding Rs. 10,000;

(*ii*) where the total income exceeds Rs. 10,000 but does not exceed Rs. 10,690, the income-tax payable thereon shall not exceed seventy per cent. of the amount by which the total income exceeds Rs. 10,000.

*Surcharge on income-tax*

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

*Paragraph B*

In the case of every co-operative society,—

*Rates of income-tax*

| | |
|---|---|
| (1) where the total income does not exceed Rs. 10,000 | 15 per cent. of the total income; |
| (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000 | Rs. 1,500 *plus* 25 per cent. of the amount by which the total income exceeds Rs. 10,000; |
| (3) where the total income exceeds Rs. 20,000 | Rs. 4,000 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 20,000. |

*Surcharge on income-tax*

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

*Paragraph C*

*Sub-Paragraph I*

In the case of every registered firm, not being a case to which Sub-Paragraph II of this Paragraph applies,—

*Rates of income-tax*

| | |
|---|---|
| (1) where the total income does not exceed Rs. 10,000 | *Nil;* |
| (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000 | 5 per cent. of the amount by which the total income exceeds Rs. 10,000; |
| (3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000 | Rs. 750 *plus* 7 per cent. of the amount by which the total income exceeds Rs. 25,000; |
| (4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000 | Rs. 2,500 *plus* 15 per cent. of the amount by which the total income exceeds Rs. 50,000; |
| (5) where the total income exceeds Rs. 1,00,000 | Rs. 10,000 *plus* 24 per cent. of the amount by which the total income exceeds Rs. 1,00,000. |

*Surcharge on income-tax*

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

*Sub-Paragraph II*

In the case of every registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income,—

*Rates of income-tax*

| | |
|---|---|
| (1) where the total income does not exceed Rs. 10,000 | *Nil;* |
| (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000 | 4 per cent. of the amount by which the total income exceeds Rs. 10,000; |
| (3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000 | Rs. 600 *plus* 7 per cent. of the amount by which the total income exceeds Rs. 25,000; |
| (4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000 | Rs. 2,350 *plus* 13 per cent. of the amount by which the total income exceeds Rs. 50,000; |
| (5) where the total income exceeds Rs. 1,00,000 | Rs. 8,850 *plus* 22 per cent. of the amount by which the total income exceeds Rs. 1,00,000. |

*Surcharge on income-tax*

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

*Explanation.*—For the purposes of this Paragraph, "registered firm" includes an unregistered firm assessed as a registered firm under clause (*b*) of section 183 of the Income-tax Act.

*Paragraph D*

In the case of every local authority,—

*Rate of income-tax*

| | |
|---|---|
| On the whole of the total income | 50 per cent. |

*Surcharge on income-tax*

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

*Paragraph E*

In the case of a company,—

*Rates of income-tax*

I. In the case of a domestic company,—

| | |
|---|---|
| (*1*) where the company is a company in which the public are substantially interested,— | |
| (*i*) in a case where the total income does not exceed Rs. 1,00,000 | 45 per cent. of the total income; |
| (*ii*) in a case where the total income exceeds Rs. 1,00,000 | 55 per cent. of the total income; |
| (*2*) where the company is not a company in which the public are substantially interested,— | |
| (*i*) in the case of an industrial company,— | |
| (*a*) where the total income does not exceed Rs. 2,00,000 | 55 per cent. of the total income; |
| (*b*) where the total income exceeds Rs. 2,00,000 | 60 per cent. of the total income; |
| (*ii*) in any other case | 65 per cent. of the total income: |

Provided that—

(*i*) the income-tax payable by a domestic company, being a company in which the public are substantially interested, the total income of which exceeds Rs. 1,00,000, shall not exceed the aggregate of—

(*a*) the income-tax which would have been payable by the company if its total income had been Rs. 1,00,000 (the income of Rs. 1,00,000 for this purpose being computed as if such income

included income from various sources in the same proportion as the total income of the company); and

(*b*) eighty per cent. of the amount by which its total income exceeds Rs. 1,00,000;

(*ii*) the income-tax payable by a domestic company, not being a company in which the public are substantially interested, which is an industrial company and the total income of which exceeds Rs. 2,00,000, shall not exceed the aggregate of—

(*a*) the income-tax which would have been payable by the company if its total income had been Rs. 2,00,000 (the income of Rs. 2,00,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(*b*) eighty per cent. of the amount by which its total income exceeds Rs. 2,00,000.

II. In the case of a company other than a domestic company,—

| | |
|---|---|
| (*i*) on so much of the total income as consists of— | |
| (*a*) royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961 but before the 1st day of April, 1976, or | |
| (*b*) fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964 but before the 1st day of April, 1976, | |
| and where such agreement has, in either case, been approved by the Central Government | 50 per cent.; |
| (*ii*) on the balance, if any, of the total income | 70 per cent. |

*Surcharge on income-tax*

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge calculated at the rate of five per cent. of such income-tax.

PART II

*Rates for deduction of tax at source in certain cases*

In every case in which under the provisions of sections 193, 194, 194A, 194B, 194BB, 194D and 195 of the Income-tax Act, tax is to be deducted

at the rates in force, deduction shall be made from the income subject to deduction at the following rates:—

| | Income-tax | |
|---|---|---|
| | Rate of income-tax | Rate of surcharge |
| 1. In the case of a person other than a company— | | |
| (*a*) where the person is resident in India— | | |
| (*i*) on income by way of interest other than "Interest on securities" | 10 per cent. | *Nil;* |
| (*ii*) on income by way of winnings from lotteries and crossword puzzles | 30 per cent. | 4.5 per cent.; |
| (*iii*) on income by way of winnings from horse races | 30 per cent. | 4.5 per cent.; |
| (*iv*) on income by way of insurance commission | 10 per cent. | *Nil;* |
| (*v*) on any other income (excluding interest payable on a tax-free security) | 20 per cent. | 3 per cent.; |
| (*b*) where the person is not resident in India— | | |
| (*i*) on the whole income (excluding interest payable on a tax-free security) | income-tax at 30 per cent. and surcharge at 4.5 per cent. of the amount of the income,<br>or<br>income-tax and surcharge on income-tax in respect of the income at the rates prescribed in Sub-Paragraph I of Paragraph A of Part III of this Schedule, if such income had been the total income,<br>whichever is higher; | |
| (*ii*) on income by way of interest payable on a tax-free security | 15 per cent. | 2.25 per cent. |
| 2. In the case of a company— | | |
| (*a*) where the company is a domestic company— | | |
| (*i*) on income by way of interest other than "Interest on securities" | 20 per cent. | 1 per cent.; |
| (*ii*) on any other income (excluding interest payable on a tax-free security) | 22 per cent. | 1 per cent.; |

| | Income-tax | |
|---|---|---|
| | Rate of income-tax | Rate of surcharge |
| (*b*) where the company is not a domestic company— | | |
| (*i*) on income by way of dividends payable by any domestic company | 25 per cent. | *Nil;* |
| (*ii*) on income by way of royalty payable by an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1976, where such royalty is in consideration for the transfer of all or any rights (including the granting of a licence) in respect of copyright in any book on a subject referred to in the proviso to sub-section (*1A*) of section 115A of the Income-tax Act, to the Indian concern | 40 per cent. | *Nil;* |
| (*iii*) on income by way of royalty [not being royalty of the nature referred to in sub-item (*b*) (*ii*)] payable by an Indian concern in pursuance of an agreement made by it with the Indian concern and which has been approved by the Central Government,— | | |
| (*A*) where the agreement is made after the 31st day of March, 1961 but before the 1st day of April, 1976 | 50 per cent. | 2.5 per cent.; |
| (*B*) where the agreement is made after the 31st day of March, 1976— | | |
| (*1*) on so much of the amount of such income as consists of lump sum consideration for the transfer outside India of, or the imparting of information outside India in respect of, any data, documentation, drawing or specification relating | 20 per cent | *Nil;* |

| | Income-tax | |
|---|---|---|
| | Rate of inocme-tax | Rate of surcharge |
| to any patent, invention, model, design, secret formula or process, or trade mark or similar property | | |
| (2) on the balance, if any, of such income | 40 per cent. | *Nil;* |
| (*iv*) on income by way of fees for technical services payable by an Indian concern in pursuance of an agreement made by it with the Indian concern and which has been approved by the Central Government— | | |
| (*A*) where the agreement is made after the 29th day of February, 1964 but before the 1st day of April, 1976 | 50 per cent. | 2.5 per cent.; |
| (*B*) where the agreement is made after the 31st day of March, 1976 | 40 per cent. | *Nil;* |
| (*v*) on income by way of interest payable on a tax-free security | 44 per cent. | 2.2 per cent.; |
| (*vi*) on any other income | 70 per cent. | 3.5 per cent. |

## PART III

*Rates for calculating or charging income-tax in certain cases, deducting income-tax from income chargeable under the head "Salaries" or any payment referred to in sub-section (9) of section 80E and computing "advance tax".*

In cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or deducted under sub-section (9) of section 80E of the said Act from any payment referred to in the said sub-section (9) or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be, "advance tax" (not being "advance tax" in respect of any income chargeable to tax under Chapter XII or section 164 of the Income-tax Act

at the rates as specified in that Chapter or section), shall be so calculated, charged, deducted or computed at the following rate or rates:—

*Paragraph A*

*Sub-Paragraph I*

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (*vii*) of clause (*31*) of section 2 of the Income-tax Act, not being a case to which Sub-Paragraph II of this Paragraph or any other Paragraph of this Part applies,—

*Rates of income-tax*

| | |
|---|---|
| (1) where the total income does not exceed Rs. 8,000 | *Nil;* |
| (2) where the total income exceeds Rs. 8,000 but does not exceed Rs. 15,000 | 15 per cent. of the amount by which the total income exceeds Rs. 8,000; |
| (3) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000 | Rs. 1,050 *plus* 18 per cent. of the amount by which the total income exceeds Rs. 15,000; |
| (4) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000 | Rs. 1,950 *plus* 25 per cent. of the amount by which the total income exceeds Rs. 20,000; |
| (5) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000 | Rs. 3,200 *plus* 30 per cent. of the amount by which the total income exceeds Rs. 25,000; |
| (6) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000 | Rs. 4,700 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 30,000; |
| (7) where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000 | Rs. 12,700 *plus* 50 per cent. of the amount by which the total income exceeds Rs. 50,000; |
| (8) where the total income exceeds Rs. 70,000 but does not exceed Rs. 1,00,000 | Rs. 22,700 *plus* 55 per cent. of the amount by which the total income exceeds Rs. 70,000; |
| (9) where the total income exceeds Rs. 1,00,000 | Rs. 39,200 *plus* 60 per cent. of the amount by which the total income exceeds Rs. 1,00,000: |

Provided that for the purposes of this Sub-Paragraph,—

(*i*) no income-tax shall be payable on a total income not exceeding Rs. 10,000;

(*ii*) where the total income exceeds Rs. 10,000 but does not exceed Rs. 10,540, the income-tax payable thereon shall not exceed seventy per cent. of the amount by which the total income exceeds Rs. 10,000.

*Surcharge on income-tax*

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for

purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

*Sub-Paragraph II*

In the case of every Hindu undivided family which at any time during the previous year has at least one member whose total income of the previous year relevant to the assessment year commencing on the 1st day of April, 1979 exceeds Rs. 10,000,—

*Rates of income-tax*

| | |
|---|---|
| (1) where the total income does not exceed Rs. 8,000 | *Nil;* |
| (2) where the total income exceeds Rs. 8,000 but does not exceed Rs. 15,000 | 18 per cent. of the amount by which the total income exceeds Rs. 8,000; |
| (3) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000 | Rs. 1,260 *plus* 25 per cent. of the amount by which the total income exceeds Rs. 15,000; |
| (4) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000 | Rs. 2,510 *plus* 30 per cent. of the amount by which the total income exceeds Rs. 20,000; |
| (5) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000 | Rs. 4,010 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 25,000; |
| (6) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000 | Rs. 6,010 *plus* 50 per cent. of the amount by which the total income exceeds Rs. 30,000; |
| (7) where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000 | Rs. 16,010 *plus* 55 per cent. of the amount by which the total income exceeds Rs. 50,000; |
| (8) where the total income exceeds Rs. 70,000 | Rs. 27,010 *plus* 60 per cent. of the amount by which the total income exceeds Rs. 70,000: |

Provided that for the purposes of this Sub-Paragraph,—

(*i*) no income-tax shall be payable on a total income not exceeding Rs. 10,000;

(*ii*) where the total income exceeds Rs. 10,000 but does not exceed Rs. 10,690, the income-tax payable thereon shall not exceed seventy per cent. of the amount by which the total income exceeds Rs. 10,000.

*Surcharge on income-tax*

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

*Paragraph B*

In the case of every co-operative society,—

*Rates of income-tax*

| | |
|---|---|
| (1) where the total income does not exceed Rs. 10,000 | 15 per cent. of the total income; |

| | |
|---|---|
| (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000 | Rs. 1,500 *plus* 25 per cent. of the amount by which the total income exceeds Rs. 10,000; |
| (3) where the total income exceeds Rs. 20,000 | Rs. 4,000 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 20,000. |

*Surcharge on income-tax*

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

*Paragraph C*

*Sub-Paragraph I*

In the case of every registered firm, not being a case to which Sub-Paragraph II of this Paragraph applies,—

*Rates of income-tax*

| | |
|---|---|
| (1) where the total income does not exceed Rs. 10,000 | *Nil;* |
| (2) where the total income exceeds Rs 10,000 but does not exceed Rs. 25,000 | 5 per cent. of the amount by which the total income exceeds Rs. 10,000; |
| (3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000 | Rs. 750 *plus* 7 per cent. of the amount by which the total income exceeds Rs. 25,000; |
| (4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000 | Rs. 2,500 *plus* 15 per cent. of the amount by which the total income exceeds Rs. 50,000; |
| (5) where the total income exceeds Rs. 1,00,000 | Rs. 10,000 *plus* 24 per cent. of the amount by which the total income exceeds Rs. 1,00,000. |

*Surcharge on income-tax*

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

*Sub-Paragraph II*

In the case of every registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income,—

*Rates of income-tax*

| | |
|---|---|
| (1) where the total income does not exceed Rs. 10,000 | *Nil;* |
| (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000 | 4 per cent. of the amount by which the total income exceeds Rs. 10,000; |

| | |
|---|---|
| (3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000 | Rs. 600 *plus* 7 per cent. of the amount by which the total income exceeds Rs. 25,000; |
| (4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000 | Rs. 2,350 *plus* 13 per cent. of the amount by which the total income exceeds Rs. 50,000; |
| (5) where the total income exceeds Rs. 1,00,000 | Rs. 8,850 *plus* 22 per cent. of the amount by which the total income exceeds Rs. 1,00,000. |

*Surcharge on income-tax*

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

*Explanation.*—For the purposes of this Paragraph, "registered firm" includes an unregistered firm assessed as a registered firm under clause (*b*) of section 183 of the Income-tax Act.

*Paragraph D*

In the case of every local authority,—

*Rate of income-tax*

| | |
|---|---|
| On the whole of the total income | 50 per cent. |

*Surcharge on income-tax*

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

*Paragraph E*

In the case of a company,—

*Rates of income-tax*

| | |
|---|---|
| I. In the case of a domestic company,— | |
| (*1*) where the company is a company in which the public are substantially interested,— | |
| (*i*) in a case where the total income does not exceed Rs. 1,00,000 | 45 per cent. of the total income; |
| (*ii*) in a case where the total income exceeds Rs. 1,00,000 | 55 per cent. of the total income; |
| (*2*) where the company is not a company in which the public are substantially interested,— | |
| (*i*) in the case of an industrial company,— | |
| (*a*) where the total income does not exceed Rs. 2,00,000 | 55 per cent. of the total income; |
| (*b*) where the total income exceeds Rs. 2,00,000 | 60 per cent. of the total income; |
| (*ii*) in any other case | 65 per cent. of the total income: |

Provided that—

(*i*) the income-tax payable by a domestic company, being a company in which the public are substantially interested, the total income of which exceeds Rs. 1,00,000, shall not exceed the aggregate of—

(*a*) the income-tax which would have been payable by the company if its total income had been Rs. 1,00,000 (the income of Rs. 1,00,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(*b*) eighty per cent. of the amount by which its total income exceeds Rs. 1,00,000;

(*ii*) the income-tax payable by a domestic company, not being a company in which the public are substantially interested, which is an industrial company and the total income of which exceeds Rs. 2,00,000, shall not exceed the aggregate of—

(*a*) the income-tax which would have been payable by the company if its total income had been Rs. 2,00,000 (the income of Rs. 2,00,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(*b*) eighty per cent. of the amount by which its total income exceeds Rs. 2,00,000.

II. In the case of a company other than a domestic company,—

| | |
|---|---|
| (*i*) on so much of the total income as consists of— | |
| (*a*) royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961 but before the 1st day of April, 1976, or | |
| (*b*) fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964 but before the 1st day of April, 1976, | |
| and where such agreement has, in either case, been approved by the Central Government | 50 per cent.; |
| (*ii*) on the balance, if any, of the total income | 70 per cent. |

*Surcharge on income-tax*

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge calculated at the rate of five per cent. of such income-tax.

PART IV

[*See* section 2(7) (*e*)]

RULES FOR COMPUTATION OF NET AGRICULTURAL INCOME

*Rule 1.*—Agricultural income of the nature referred to in sub-clause (*a*) of clause (*1*) of section 2 of the Income-tax Act shall be computed as if it were income chargeable to income-tax under that Act under the head "Income from other sources" and the provisions of sections 57 to 59 of that Act shall, so far as may be, apply accordingly:

Provided that sub-section (*2*) of section 58 shall apply subject to the modification that the reference to section 40A therein shall be construed as not including a reference to sub-sections (*3*) and (*4*) of section 40A.

*Rule 2.*—Agricultural income of the nature referred to in sub-clause (*b*) or sub-clause (c) of clause (*1*) of section 2 of the Income-tax Act [other than income derived from any building required as a dwelling house by the receiver of the rent or revenue or the cultivator or the receiver of rent-in-kind referred to in the said sub-clause (*c*)] shall be computed as if it were income chargeable to income-tax under that Act under the head "Profits and gains of business or profession" and the provisions of sections 30, 31, 32, 34, 36, 37, 38, 40, 40A [other than sub-sections (*3*) and (*4*) thereof], 41, 43 and 43A of the Income-tax Act shall, so far as may be, apply accordingly.

*Rule 3.*—Agricultural income of the nature referred to in sub-clause (*c*) of clause (*1*) of section 2 of the Income-tax Act, being income derived from any building required as a dwelling house by the receiver of the rent or revenue or the cultivator or the receiver of rent-in-kind referred to in the said sub-clause (c) shall be computed as if it were income chargeable to income-tax under that Act under the head "Income from house property" and the provisions of sections 23 to 27 of that Act shall, so far as may be, apply accordingly:

Provided that sub-section (*2*) of the said section 23 shall apply subject to the modifications that the references to "total income" therein shall be construed as references to net agricultural income and that the words, figures and letter "and before making any deduction under Chapter VIA" shall be omitted.

*Rule 4.*—Notwithstanding anything contained in any other provisions of these rules, in a case where the assessee derives income from sale of tea grown and manufactured by him in India, such income shall be computed in accordance with rule 8 of the Income-tax Rules, 1962, and sixty per cent. of such income shall be regarded as the agricultural income of the assessee.

*Rule 5.*—Where the assessee is a partner of a registered firm or an unregistered firm assessed as a registered firm under clause (*b*) of section 183 of the Income-tax Act, which in the previous year has any agricultural income, or is a partner of an unregistered firm which has not

been assessed as a registered firm under clause (*b*) of the said section 183 and which in the previous year has either no income chargeable to tax under the Income-tax Act or has total income not exceeding the maximum amount not chargeable to tax in the case of an unregistered firm but has any agricultural income, then, the agricultural income or loss of the firm shall be computed in accordance with these rules and his share in the agricultural income or loss of the firm shall be computed in the manner laid down in sub-section (*1*), sub-section (*2*) and sub-section (*3*) of section 67 of the Income-tax Act and the share so computed shall be regarded as the agricultural income or loss of the assessee.

*Rule 6.*—Where the assessee is a member of an association of persons or a body of individuals (other than a Hindu undivided family, a company or a firm) which in the previous year has either no income chargeable to tax under the Income-tax Act or has total income not exceeding the maximum amount not chargeable to tax in the case of an association of persons or a body of individuals (other than a Hindu undivided family, a company or a firm) but has any agricultural income, then, the agricultural income or loss of the association or body shall be computed in accordance with these rules and the share of the assessee in the agricultural income or loss so computed shall be regarded as the agricultural income or loss of the assessee.

*Rule 7.*—Where the result of the computation for the previous year in respect of any source of agricultural income is a loss, such loss shall be set off against the income of the assessee, if any, for that previous year from any other source of agricultural income:

Provided that where the assessee is a partner of an unregistered firm which has not been assessed as a registered firm under clause (*b*) of section 183 of the Income-tax Act or is a member of an association of persons or a body of individuals and the share of the assessee in the agricultural income of the firm, association or body, as the case may be, is a loss, such loss shall not be set off against any income of the assessee from any other source of agricultural income.

*Rule 8.*—Any sum payable by the assessee on account of any tax levied by the State Government on the agricultural income shall be deducted in computing the agricultural income.

*Rule 9.*—(*1*) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 1978, any agricultural income and the net result of the computation of the agricultural income of the assessee for any one or more of the previous years relevant to the assessment years commencing on the 1st day of April, 1974 or the 1st day of April, 1975 or the 1st day of April, 1976 or the 1st day of April, 1977, is a loss, then, for the purposes of sub-section (2) of section 2 of this Act,—

(*i*) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1974, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1975 or the 1st day of April, 1976 or the 1st day of April, 1977,

(*ii*) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1975, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1976 or the 1st day of April, 1977,

(*iii*) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1976, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1977, and

(*iv*) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1977,

shall be set off against the agricultural income of the assessee for the previous year relevant to the assessment year commencing on the 1st day of April, 1978.

(2) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 1979 or, if by virtue of any provision of the Income-tax Act, income-tax is to be charged in respect of the income of a period other than that previous year, in such other period, any agricultural income and the net result of the computation of the agricultural income of the assessee for any one or more of the previous years relevant to the assessment years commencing on the 1st day of April, 1974 or the 1st day of April, 1975 or the 1st day of April, 1976 or the 1st day of April, 1977 or the 1st day of April, 1978, is a loss, then, for the purposes of sub-section (6) of section 2 of this Act,—

(*i*) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1974, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1975 or the 1st day of April, 1976 or the 1st day of April, 1977 or the 1st day of April, 1978,

(*ii*) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1975, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1976 or the 1st day of April, 1977 or the 1st day of April, 1978,

(*iii*) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1976, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1977 or the 1st day of April, 1978,

(*iv*) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1977, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1978, and

(*v*) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1978,

shall be set off against the agricultural income of the assessee for the previous year relevant to the assessment year commencing on the 1st day of April, 1979 or the period aforesaid.

(3) Where a change has occurred in the constitution of a firm, nothing in sub-rule (1) or sub-rule (2) shall entitle the firm to set off so much of the loss proportionate to the share of a retired or deceased partner computed in the manner laid down in sub-section (1), sub-section (2) and sub-section (3) of section 67 of the Income-tax Act as exceeds his share of profits, if any, of the previous year in the firm, or entitle any partner to the benefit of any portion of the said loss (computed in the manner aforesaid) which is not apportionable to him.

(4) Where any person deriving any agricultural income from any source has been succeeded in such capacity by another person, otherwise than by inheritance, nothing in sub-rule (1) or sub-rule (2) shall entitle any person, other than the person incurring the loss, to have it set off under sub-rule (1) or, as the case may be, sub-rule (2).

(5) Notwithstanding anything contained in this rule, no loss which has not been determined by the Income-tax Officer under the provisions of these rules or the rules contained in Part IV of the First Schedule to the Finance Act, 1974, or of the First Schedule to Finance Act, 1975, or of the First Schedule to the Finance Act, 1976, or of the First Schedule to the Finance (No. 2) Act, 1977, shall be set off under sub-rule (1) or, as the case may be, sub-rule (2).

20 of 1974.
25 of 1975.
66 of 1976.
29 of 1977.

*Rule 10.*—Where the net result of the computation made in accordance with these rules is a loss, the loss so computed shall be ignored and the net agricultural income shall be deemed to be nil.

*Rule 11.*—The provisions of the Income-tax Act relating to procedure for assessment (including the provisions of section 288A relating to rounding off of income) shall with the necessary modifications, apply in relation to the computation of the net agricultural income of the assessee as they apply in relation to the assessment of the total income.

*Rule 12.*—For the purposes of computing the net agricultural income of the assessee, the Income-tax Officer shall have the same powers as he has under the Income-tax Act for the purposes of assessment of the total income.

S. HARIHARA IYER,
*Secy. to the Govt. of India.*

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